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August 18, 2010

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Application of Hamilton-Haynes Water System for an Establishment of Its Service Area, Rates and Charges for the Provision of Water Services

Docket No.: 2009-512-W

Dear Ms. Boyd:

During the August 17, 2010 hearing in the above-referenced docket, the Commission requested the Office of Regulatory Staff submit a late filed exhibit setting forth its calculation of Hamilton-Haynes's operating margin. Please accept the attached document as late filed Hearing Exhibit 3.

Please let me know if I can be of further assistance.

Sincerely,

Shealy Boland Reibold

Enclosures

cc: Carolyn H. Smith

Hamilton-Haynes Water Works
Docket No. 2009-512-W
Establishment of Rates - Operating Margin
For the Test Year Ended December 31, 2009 - As Adjusted

<u>Description</u>	<u>As Adjusted</u> \$
<u>Operating Revenues - Note (1)</u>	
Water	24,960
Miscellaneous Revenue - Note (2)	180
<u>Total Operating Revenues</u>	<u>25,140</u>
<u>Operating Expenses</u>	
Salaries & Wages	9,998
Electricity	5,161
Repairs & Maintenance	1,757
Lab Fees	535
Rent	2,040
Office Expense	500
Postage	300
Insurance	1,455
Accounting and Bookkeeping	200
Utility Regulation Expense	183
Rate Case Expenses (Establishment) - Note (3)	200
Property Taxes	800
Miscellaneous	150
Depreciation - Note (4)	987
Income Tax Expense	169
<u>Total Operating Expenses</u>	<u>24,435</u>
<u>Net Income</u>	<u>705</u>
<u>Operating Margin - Note (5)</u>	<u>2.80%</u>

Note (1) - Customer Tap Fees, Deposits and Interest on Deposits, and Backflow Prevention Installation Fees are not included in any of the revenue computations. Revenues provided by Water/Wastewater Dept.

Note (2) - Average 3 new customers per year @ \$60.00 with existing water tap.

Note (3) - Amortized Rate Case Expenses for this establishment proceeding over 5 years ($\$1,000 \div 5 = \200).

Note (4) - Computed Depreciation Expense using service lives recommended by the Water/Wastewater Dept.

Note (5) - Operating Margin = Net Income \div Total Operating Revenues